

Press conference of the CNB Bank Board

1st Situation Report on Economic and Monetary Developments

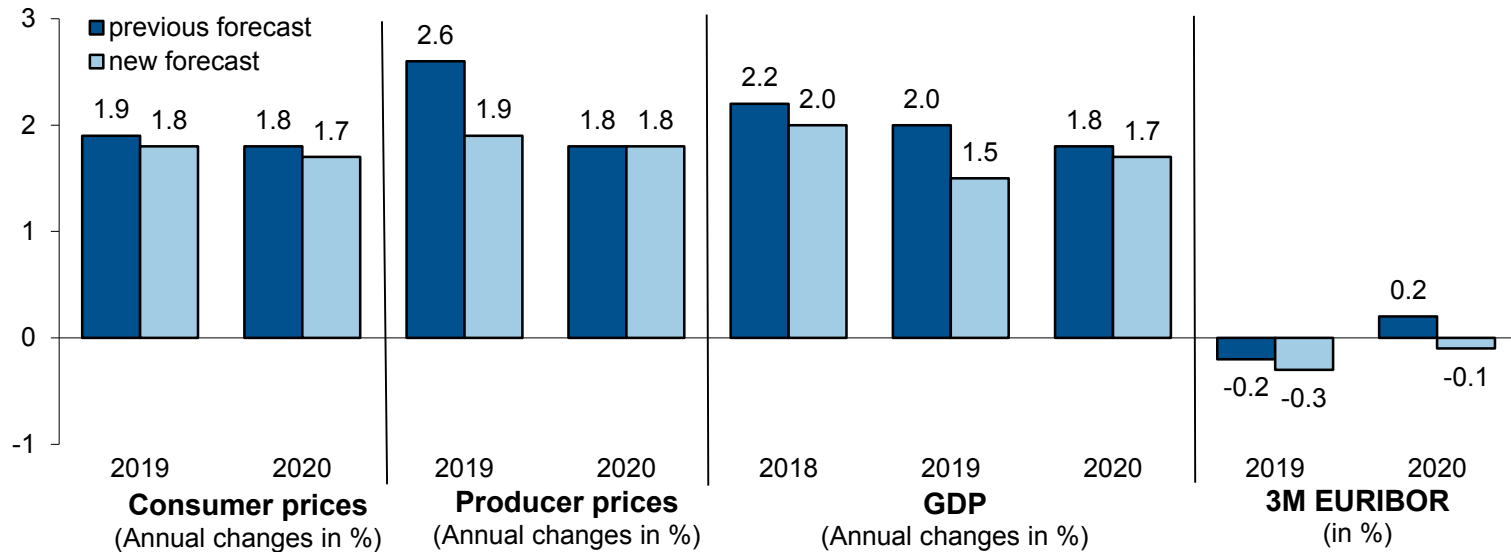
7 February 2019

The monetary policy decision

- At its meeting today, the CNB Bank Board kept interest rates unchanged. The two-week repo rate thus remains at 1.75%, the discount rate at 0.75% and the Lombard rate at 2.75%.
- Five members voted in favour of this decision, and two members voted for raising interest rates by 25 basis points.
- The decision adopted by the Bank Board is underpinned by the CNB's new macroeconomic forecast. Consistent with the forecast is broad interest rate stability.

The external environment (i)

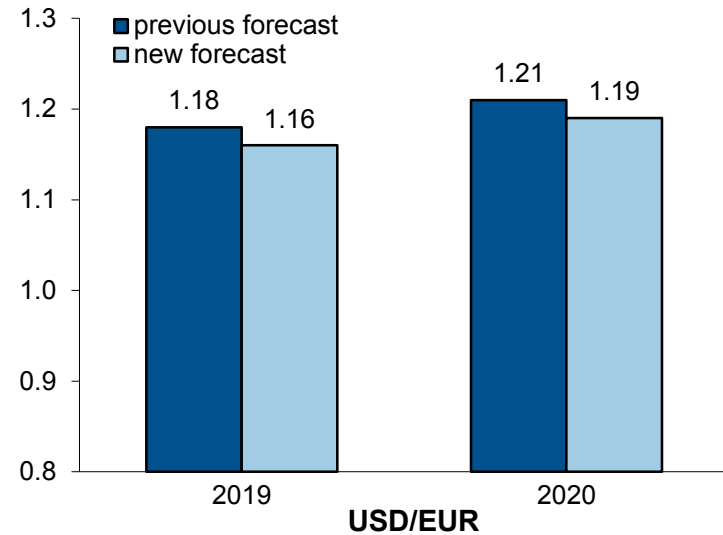
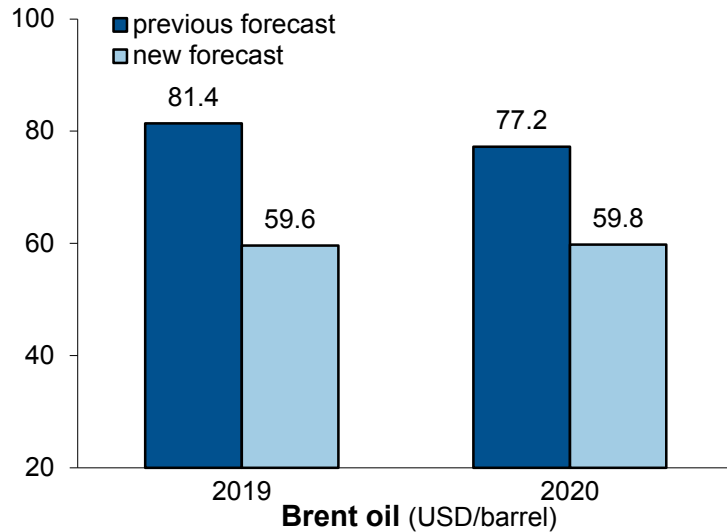
Comparison between the assumptions of the new and previous forecasts for the effective euro area*



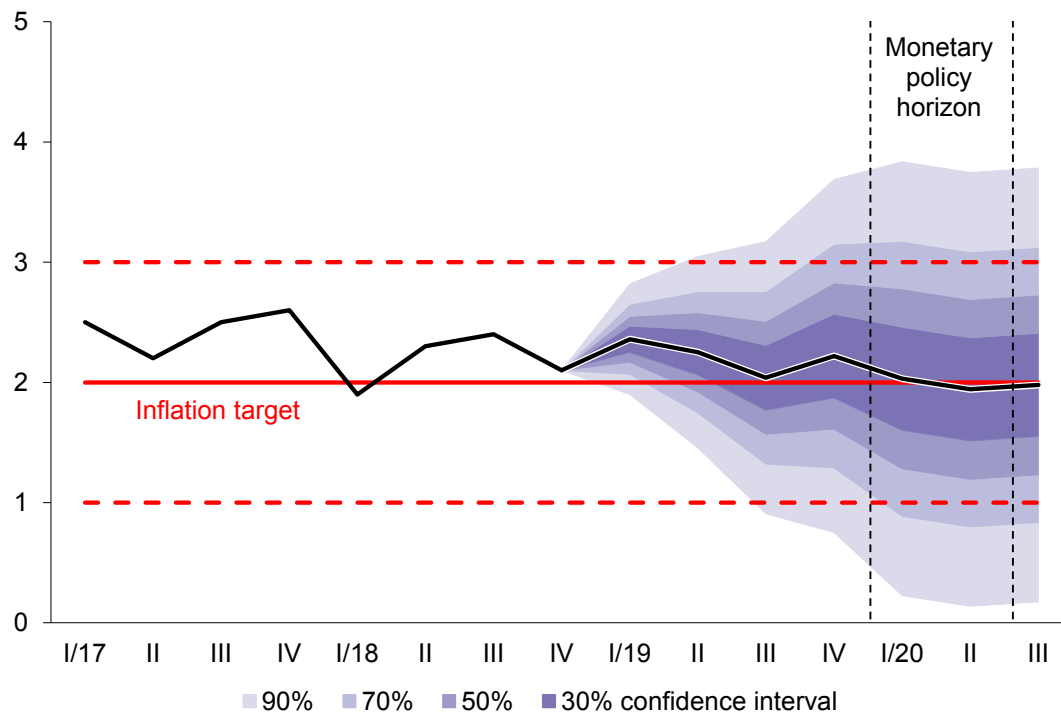
* Effective euro area means that the weights used in the calculation are equal to the shares of the individual euro area countries in the total exports of the Czech Republic to the euro area

The external environment (ii)

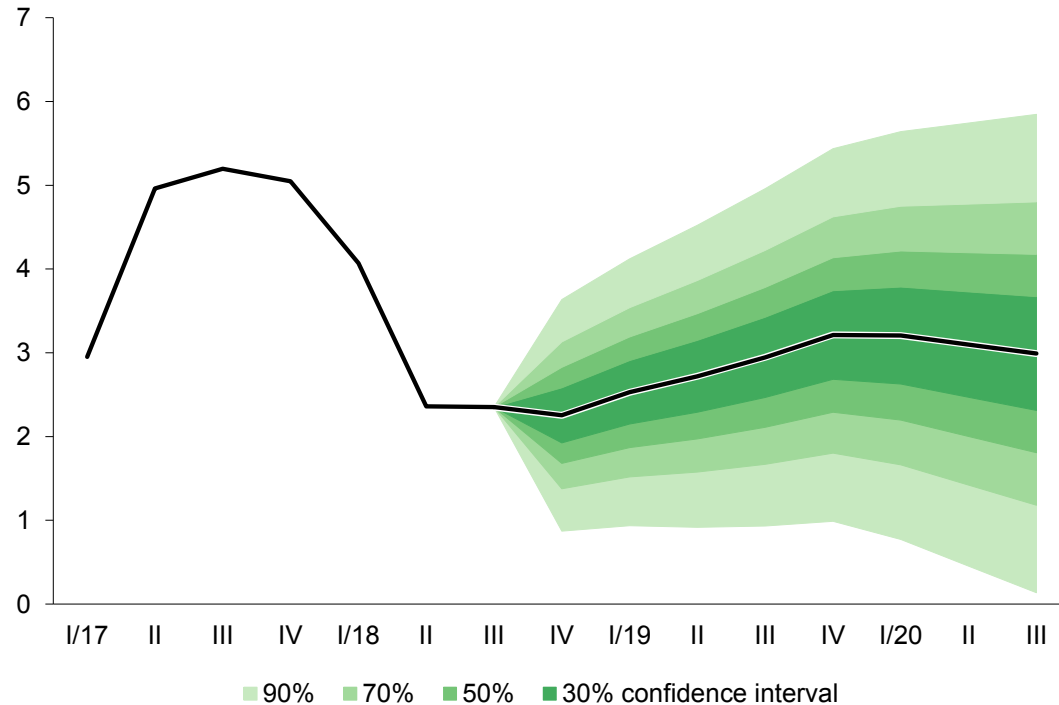
Comparison between the assumptions of the new and previous forecasts



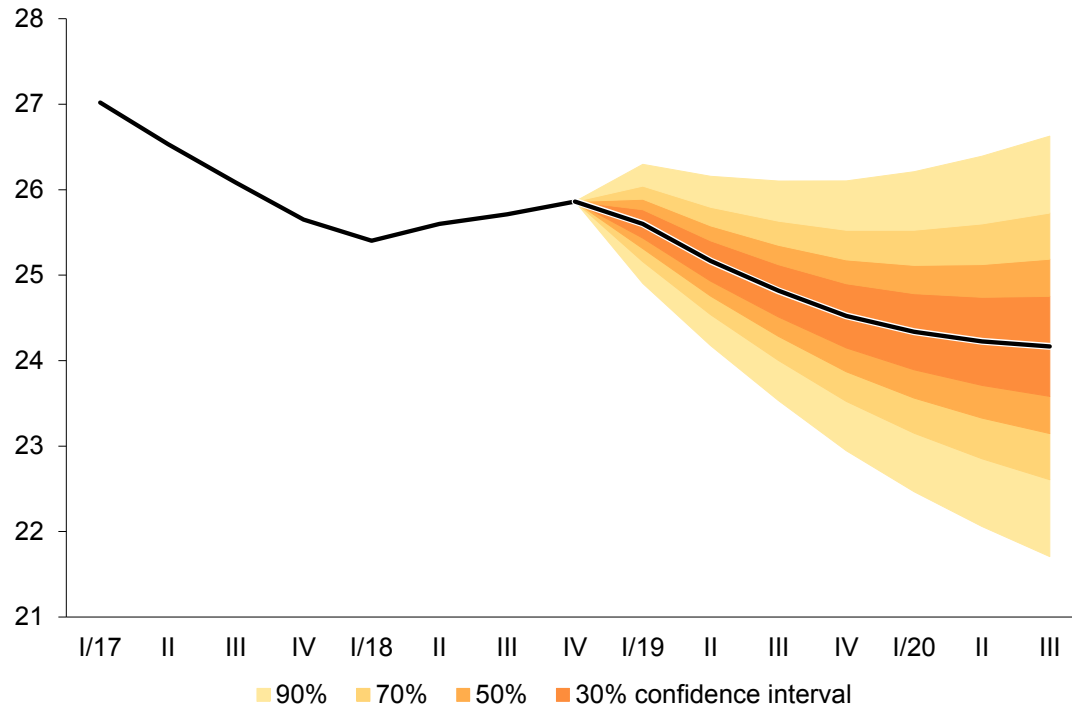
The forecast for headline inflation



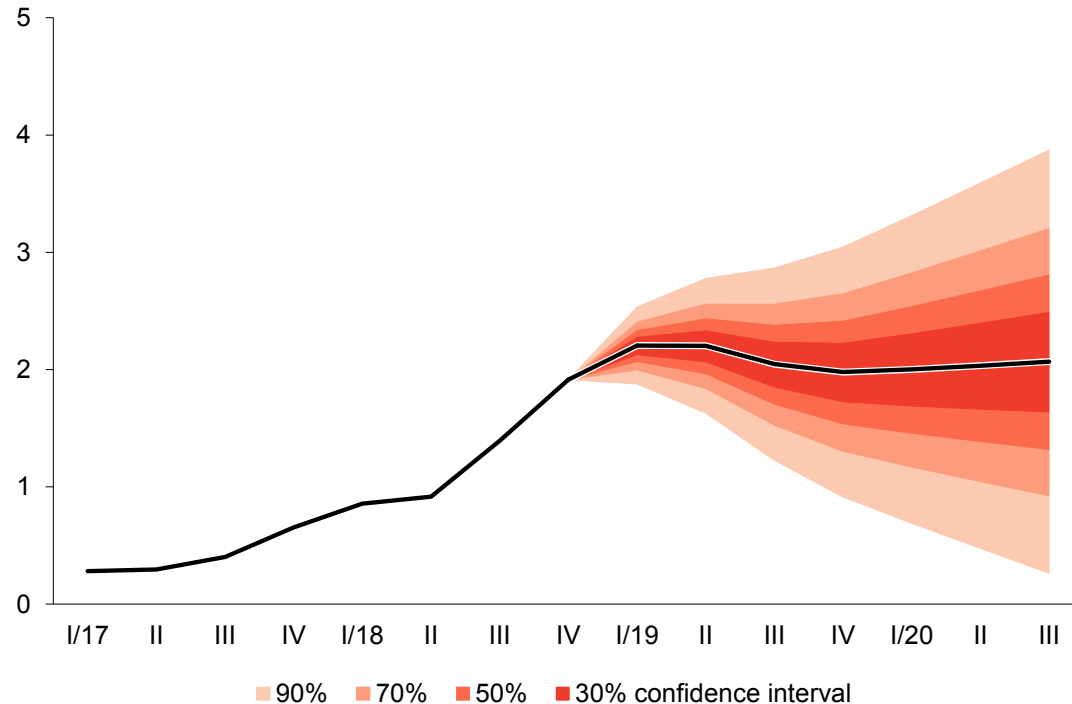
The forecast for GDP



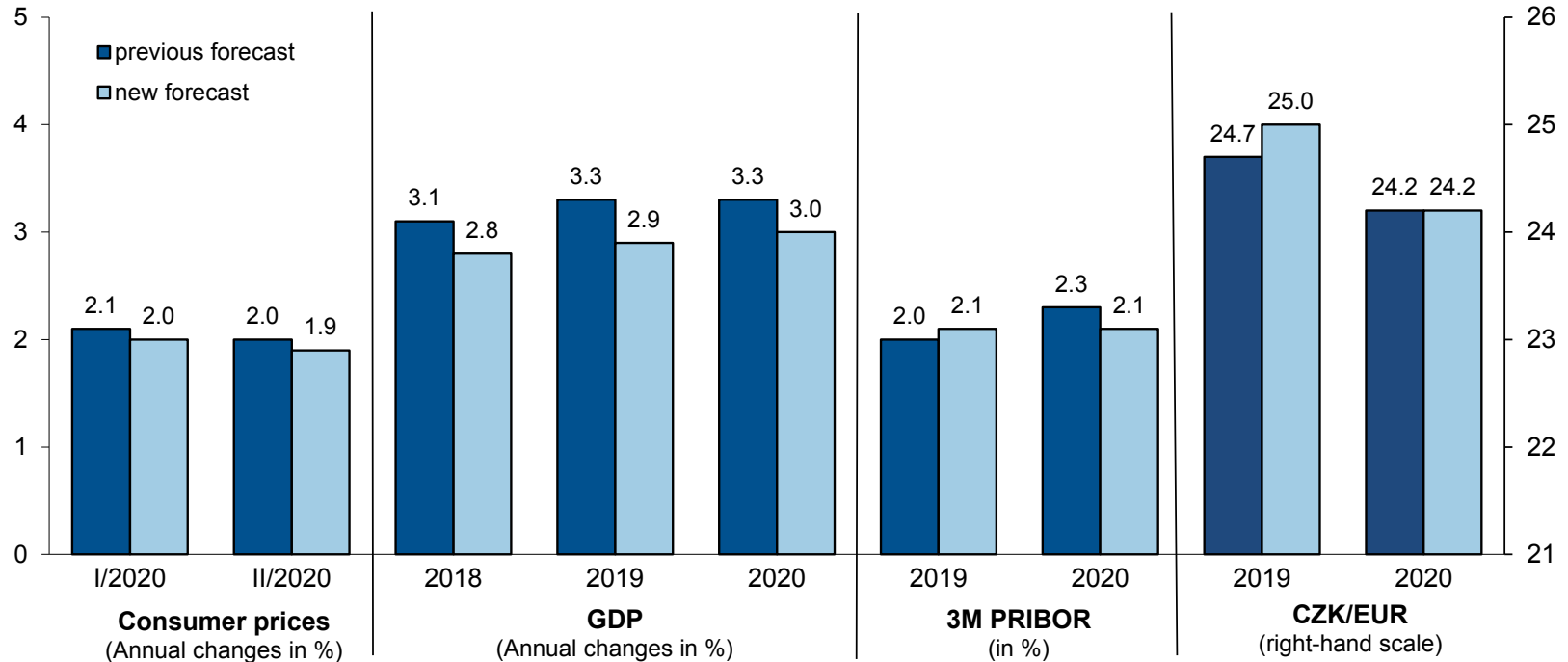
The forecast for the exchange rate (CZK/EUR)



The forecast for interest rates (3M PRIBOR)



Comparison with the previous forecast



Risks to the forecast

The Bank Board assessed the risks to the forecast at the monetary policy horizon as being slightly inflationary.

Inflationary risks:

- weaker koruna exchange rate
- risk of disorderly Brexit

Uncertainty:

- growth in protectionist measures in global trade

Thank you for your attention

More information about the forecast can be found at

http://www.cnb.cz/en/monetary_policy/forecast/

and in Inflation Report I/2019. The summary of the Report (together with a box and the table of key macroeconomic indicators) will be published on 8 February 2019.

The whole Report will be published on 15 February 2019.